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## **China**

### **Product Brief**

### **Canned Food Products**

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#### **Report Highlights:**

**Canned food products are one of the few imported processed products that often can be found on the shelves of many retail outlets in China. These products include: fruits, vegetables, tuna, soups, and others. In Guangzhou, these products usually retail at around \$1.00 per can.**

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Canned products are one of the few imported processed products that often can be found on the shelves of many retail outlets in China. A majority of these products are canned fruit and vegetables, but canned seafood and soups are often available too.

## **Products and Consumers**

Although China has its own food canning industry, imported canned products are available in many local supermarkets. Many of the imported canned products are of items that are not canned in China or the local canning of the item tends to be very poor. For example, most of China's canned goods are either meats, particular types of whole seafood, or certain fruits. This mix of products is different from many of the canned imports which include tuna, salmon, soups, and various vegetables. In addition, a sizable number of China's canners rely on jars instead of metal containers. Canned sweet corn is one of the few exceptions. Although several years ago China produced only small amounts of sweet corn and did not can it, now a few domestic companies can corn and sell it in the domestic market. Except for the label, the domestic canned corn is often indistinguishable from the imported product.

Some of the available imported brands of canned products include: Del Monte, S&W, Campbells, and Century. Despite some of the products sporting a well-known American label, not all of these products in the China market come from the U.S. Del Monte canned fruit for sale in China, for example, is mostly from the company's Southeast Asian canning facilities.

Retailer private label canned products in China, both locally produced and imported, are a rarity. When local retailers do engage in selling private label products, the retailer usually is structurally tied to a food processor.

The consumers who buy imported canned goods from retailers are not only individuals and families, but also small hotels and restaurants. Concerning the latter, due to their size and limited clientele, they will often go to retailers to buy their products instead of going through the hassles of setting up special arrangements with wholesalers and distributors to service their needs. Due to this situation, these customers usually do not have any special concerns or opinions about can sizes or other packaging characteristics. However, for individuals and families, the preference is for single serving cans, content under 200 grams. Given the limited living space in which most individuals and families have in urban China, individuals and families in most cases do not have much room for storing food products in cabinets or even in refrigerators. They usually prefer to consume a packaged product in one meal than to save the remaining contents for another meal sometime in the future.

One popular characteristic of some imported and domestic canned products is the use of pop-top cans. Can openers are available in China, but local consumers often prefer the convenience of pop-top cans. One characteristic which exporters might wish to consider when trying to sell into this market is the inclusion of plastic tops for their canned goods in order to allow consumers to re-seal and store the remaining product if not all of the contents are used. For example, a local Guangdong company, Double Coin, sells a canned jelly snack product which incorporates such a

characteristic into its packaging and this cap has helped sales.

<b>A Sampling of Various Imported Canned Products found in Guangzhou Supermarkets</b>			
<b>Product</b>	<b>Brand</b>	<b>Origin(s)</b>	<b>Retail Price Range</b>
Sweet Corn (432 g)	Del Monte	United States	6.90 - 9.00 RMB (\$0.84 - 1.09)
Sweet Corn (340 g)	American Chef	Thailand	5.80 - 6.90 RMB (\$0.70 - 0.84)
Cream of Chicken Soup (305 g)	Campbells	United States	8.50 - 9.20 RMB (\$1.03 - 1.11)
Baked Beans (420 g)	Smedley's	Great Britain	8.60 - 11.50 RMB (\$1.04 - 1.39)
Baked Beans (425 g)	TC Boy	Singapore	8.80 - 9.70 RMB (\$1.07 - 1.17)
Tuna in Oil (185 g)	Ayam	Thailand	8.80 - 12.50 RMB (\$1.07 - 1.51)
Mixed Vegetables (411 g)	Del Monte	United States	11.40 - 11.60 RMB (\$1.38 - 1.40)
Tuna	Century	Thailand	5.50 - 5.70 RMB (\$0.67 - 0.69)
Sliced Pineapple / Mixed Fruit (850 g)	Del Monte	Philippines	15.00 - 16.00 RMB (\$1.82 - 1.94)
<p>Note 1: Selected Guangzhou supermarkets include: Park n' Shop, Hongcheng Supermarket, Jusco, Trust Mart, and the Friendship Store.</p> <p>Note 2: Inclusion on this list was restricted to canned products that were available in at least half of the supermarkets listed.</p> <p>Note 3: Retail prices will vary across China.</p> <p>Note 4: U.S. Dollar = 8.26 RMB</p>			

## Marketing

U.S. canned products exporters seeking to enter the China market should keep in mind, while trying to find importers, that price often will be the main focus of any sales negotiations. As with many other products, importers often times are more concerned about price before even considering to make a deal. Exporters should also focus on products which are not already canned in China. Although the overseas canned products might be better quality, local canners are usually able to produce the product cheaper making it acceptable to a wider range of consumers. Canned soups and vegetables at the present time would probably be the best products for exporters to focus on.

In addition, exporters should be remember one local labeling practice and regulation that differs from the U.S. In China, the production date is printed on the label instead of a recommended expiration date. Years ago, many of the canned food imports that were entering China from

Hong Kong were products that were originally put in Hong Kong retail stores yet failed to sell by their printed expiration date. Instead of destroying these products, some retailers sold the products to traders who shipped the products to China and neglected to inform the Chinese customers that the printed date was an expiration date and not a production date. Despite such practices which still occasionally occur, imported can goods did not receive any widespread negative publicity.

In addition, U.S. exporters need to be aware of China's labeling law requirements. Years ago, exporters could get away with simply placing Chinese language stickers on their cans. In most cases, these stickers were small white strips and took up only a small percentage of the original label space. According to the law which was introduced in the year 2000, Chinese characters must be incorporated into the original label itself. According to sources, this law has allegedly been implemented and enforced as of July 2002 as a consequence of China's recent entry into the World Trade Organization.

Another characteristic which exporters should add to the labels of any canned exports, if not on the label already, is a picture or drawing of the product inside of the can. Chinese domestic canners have been adding such pictures and drawings to their canned products' labels for many years and the local consumers are used to this label style and are more likely to trust products labeled as such.

U.S. exporters also should consider being engaged in the marketing of their product in China. Label piracy remains a major problem in China. Many times successful canned exports have had their labels copied by unscrupulous traders, placed on lower quality and questionably sanitary canned products, and then passed off to retailers as the real imported item. Although imperfections in the labels will often indicate to any American that the product inside may not be the real item, local consumers with little to no knowledge of what the real label resembles can be and have been easily fooled. Lately, the label copying has improved to the point of even making it difficult for someone experienced with the product to prevent from being misled. Del Monte and S&W probably have been the two labels which have been the most copied by local copyright pirates in China.

In some cases of piracy, exporters have been asked to abet the arrangement. For example, one U.S. exporter of canned corn was once asked by local importers to sell the product without any labels and the importer would handle affixing the cans with labels. In this case, the suspicious exporter declined the sales opportunity.

China's Tariff Schedule for Select Canned Products					
HS Code	Description	Preferential Tariff Rate	General Tariff Rate	V.A.T. Tax Rate	Effective Tariff Rate
1604.1110	Atlantic Salmon; p/p	17.2	90	17	37
1604.1400	Tunas, Skipjack, and Bonito; p/p	5	90	17	23
1605.1000	Crab; p/p	15	90	17	35
2005.4000	Peas; p/p	25	70	17	46
2005.5110	Beans; p/p	25	80	17	46
2005.7000	Olives; p/p	16	70	17	36
2005.8000	Sweet Corn; p/p	16	80	17	36
2008.2010	Pineapples; p/p	21	90	17	42
2008.9200	Fruit Mixture; p/p	16	80	17	36
2104.1000	Soups and Broths	27	90	17	49
Note: p/p, preserved and prepared					
Source: Customs Import and Export Tariff of the People's Republic of China, 2002 Edition					